(1/1/25

CIA OPERATIONS CENTER

NEWS SERVICE

Date. 12 Feb 82
Item No. 4
Ref. No.

DISTRIBUTION II New York Times

Cabinet Divided on Soviet Gas Line

By CLYDE H. FARNSWORTH

Special to The New York Times

WASHINGTON, Feb. 11 — The Reagan Cabinet is sharply divided over how much pressure to apply on European allies — and American technology suppliers — to try to block construction of a $10 billion pipeline to transport Siberian natural gas 3,000 miles to Western Europe.

Officials who are following the arguments say that Secretary of State Alexander M. Haig Jr. and Defense Secretary Caspar W. Weinberger are at opposite ends with Commerce Secretary Malcolm Baldrige taking a middle position.

The contest, which resembles an earlier debate on whether to force Poland into default on its Western bank credits, is being fought in the National Security Council and presents William P. Clark, the new national security adviser, with his first major test.

Pressure on Moscow Urged

Taking a hard line on the default and now the pipeline issue, the Defense Department has argued, according to Administration officials, that the United States should make a strong effort to squeeze Moscow financially, cutting it off, if possible, from Western credit lines.

A joint Pentagon-Central Intelligence Agency calculation places Soviet hard-currency earnings at $8 billion a year once the line is completed and the gas starts flowing to Western European terminal points.

This will "assist the Soviet Union in purchasing much-needed Western commodities and sophisticated technologies to support its industrial base and military machine," according to recent Congressional testimony by Stephen D. Bryen, Deputy Assistant Secretary of Defense for Interntional Economic, Trade and Security Policy.

Administration officials said that Secretary of State Haig shared Defense Secretary Weinberger's concern over both the financial gains the Russians would obtain from the line and the energy dependency on the Soviet Union that would be built up in Western Europe.

While agreeing that the pipeline might make the European allies vulnerable to Soviet pressures, the State Department contends, according to one high official, that pressures on the Europeans to cancel the pipeline may fracture the alliance. This is because the Europeans have already given every indication that they want the line built, both to diversify their energy supplies and to spur employment and general economic activity.

Playing Into Soviet Hands

The State Department believes that a major confrontation with Europe would play into Soviet hands by focusing attention on Europe's unemployment problems and diverting attention from the Soviet involvement in the imposition of martial law in Poland.

The United States leverage is its technology. European companies would provide the large-diameter pipe, but the turbines needed to pump the gas through the line depend on American parts and technology.

The General Electric Company had a $175 million contract to supply 125 component sets consisting of the rotating parts (rotors and buckets) for the turbines.

G.E. was to supply partners in Europe — A.E.G.-Telefunken in West Germany, John Brown in Britain and Nuovo Pignone in Italy — with the component sets from which they would construct the turbines that would go into giant compressors.

G.E. had licensed a fourth compressor builder, Alsthom Atlantique of France, to manufacturer the rotating parts with the G.E. design.

Last Dec. 29, in reaction to events in Poland, President Reagan announced expanded controls on the export of oil and gas equipment and technology to Moscow. G.E.'s contract was suspended. But it had already shipped 22 of the component sets to the European partners.

The issue now is whether to try to block export of the compressors made with the G.E. equipment or skills to the Soviet Union.

ICH
File N
(P)